Lafayette Redevelopment Agency Staff Report

For:	Redevelopment Agency Board
By:	Niroop K. Srivatsa
Date Written:	May 19, 2008
Meeting Date:	May 27, 2008
Subject:	Request by Cortese Properties LLC for payment of $600,000 of Redevelopment Agency funds upon issuance of the certificate of occupancy for the Lafayette Mercantile project, consistent with the terms of the Owner Participation Agreement (OPA)

Background

In December 2003, the Lafayette Redevelopment Agency entered into an Owner Participation Agreement (OPA) with Cortese Properties LLC for the Lafayette Mercantile mixed use project. An Owner Participation Agreement (OPA) is an agreement between a redevelopment agency and a developer for the redevelopment of property in the Project Area. OPAs typically require the developer to develop property in accordance with a specific scope of development which prescribes the use of the property and general design characteristics, a specific time schedule for development and subjects the property to certain use, maintenance, and nondiscrimination covenants that run with the land in exchange for financial assistance from the redevelopment agency. In the case of Lafayette Mercantile, the OPA calls for Agency to make a payment of $600,000 to the Developer within 30 days of the issuance of the Certificate of Occupancy. Additionally, annual payments equal to 50% of yearly net eligible tax increment must be paid to the Developer until a total payment of $600,000 (in present value) is made.

Project

Cortese Properties received a Certificate of Occupancy for Lafayette Mercantile in October 2007 and the development is now almost fully leased. However, the payment of $600,000 was withheld until the Developer completed a number of outstanding items such as the installation of the street lights which were on back order and the installation of the benches, fountain and decorative planters. All these items have been completed and Stephen Cortese is now requesting payment from the Redevelopment Agency.

Staff Comments

The Developer has satisfied all the conditions that must be fulfilled prior to the issuance of the Certificate of Occupancy. In the few months since its opening, Lafayette Mercantile with its mix of retail and restaurant tenants has become the focal point of the Downtown Core. Staff is

confident that the Project will continue to further the goals and objectives of the Redevelopment Plan and the City's General Plan by strengthening the City's land use and social structure, eliminating physical and economic blight within the Project Area, and stimulating economic activity and job creation within the Project Area.

Recommendation

Approve request and authorize the initial payment of $600,000 and future yearly payments from the Agency's funds to Cortese Properties LLC.

Attachment
Letter from Cortese Properties, LLC dated May 9, 2008

Cortese Properties, LLC

21 Lafayette Circle, Suite 200, Lafayette, CA 94549
(925) 283-8777 Fax (925) 283-8275

May 9, 2008

Niroop Srivatsa
City of Lafayette
3675 Mt. Diablo Blvd., Suite 210
Lafayette, CA 94549

RE: Lafayette Mercantile OPA

Dear Niroop:

Per the terms of the OPA between the Redevelopment Agency of the City of Lafayette and Cortese Properties, LLC, the RDA is to make a payment of $600,000 to Cortese within thirty (30) days of the issuance of a Certificate of Occupancy. Lafayette Mercantile received a Certificate of Occupancy on October 24, 2007, however, the City allowed the CCCBD to issue the Certificate of Occupancy on the condition that certain elements of Lafayette Mercantile that were not at that time complete, be completed prior to the RDA funding the $600,000. Cortese fully agreed with this requirement, and is now notifying the City and RDA that all outstanding items on the City's punch list have been completed.

There is a great amount of appreciation for the energy and guidance that has been put forth by the many people at the City of Lafayette who helped make Lafayette Mercantile what it is today. Cortese hopes that the RDA, the City and the community at large are as proud of Lafayette Mercantile as we are.

Sincerely,

Stephen A. Cortese